

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:  
03-39

2. STATE  
Minnesota

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
October 1, 2003

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR §§447.201(b), .252 (b), .272(b)(2), & .321(b)(2)

7. FEDERAL BUDGET IMPACT:  
a. FFY '04 \$11,787  
b. FFY '05 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Att. 4.19-A (Inpat. Hospital), pp. 1-51 49-51  
~~Att. 4.19-B, pp. 10-10d, 30~~

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Att. 4.19-A (Inpat. Hospital), pp. 1-51  
~~Att. 4.19-B, pp. 10-10d, 30~~

10. SUBJECT OF AMENDMENT:

Methods and Standards for Determining Payment Rates for Inpatient Hospital Services Provided by Non-State Owned Facilities; Rates for Physicians' and Clinic Services

11. GOVERNOR'S REVIEW (Check One):

- ☒ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

State Submitted revised pages on June 21, 2004. The 179 is changed to reflect revised pages only. The pages in 4.19 B were removed from the plan amendment. VG.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

*Mary B. Kennedy*

16. RETURN TO:

Stephanie Schwartz  
Minnesota Department of Human Services  
Federal Relations Unit  
444 Lafayette Road No.  
St. Paul, MN 55155-3852

13. TYPED NAME:

Mary B. Kennedy

14. TITLE:

Medicaid Director

15. DATE SUBMITTED:

December 30, 2003

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

DEC 31 2003

18. DATE APPROVED:

JUN 29 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

OCT - 1 2003

20. SIGNATURE OF REGIONAL OFFICIAL:

*Brown for Smith*

21. TYPED NAME:

Charlene Brown

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

STATE: MINNESOTA

ATTACHMENT 4.19-A

Effective: October 1, 2003

Inpatient Hospital

TN: 03-39

Page 49

Approved: JUN 29 2004

Supersedes: 03-02 (02-28/02-11/02-05/01-25/01-19/01-17/01-01/00-29/00-04/99-23/  
99-05/98-37/97-42/97-19/97-15/97-03/95-20/95-04/94-18/94-08/  
93-39/93-33/92-44/92-31/91-17/90-25)

(3) financial integrity.

C. Voluntary hospitalizations are included in the contracts under the following conditions:

(1) the county must give prior approval;

(2) the hospitalization must be an alternative to commitment;

(3) the attending physician indicates that the patient is in need of continued mental health inpatient treatment and that the patient is competent to consent to treatment (or has a substitute decision maker with the authority to consent to treatment); and

(4) the physician and county would seek commitment if the patient did not agree to hospitalization.

Rates are established through the bid process with negotiation based on the cost of operating the hospital's mental health unit as derived from the Medicare cost report. The cost information, for comparison to a state-operated hospital, is adjusted to take into account average acuity and length of stay differences.

**15.08 Medical education.** In addition to Medical Assistance payments included in this Attachment, Medical Assistance provides for an additional one-time payment for medical education for Federal State Fiscal Year 2003 Years 2004 and 2005 (October 1, 2002 July 1, 2003 through September 30, 2003 June 30, 2005) to the six Minnesota Medical Assistance-enrolled teaching hospitals with the highest number of Medical Assistance admissions in State Fiscal Year 1996. The Medical Assistance payment for each of these six hospitals is increased as follows:

One-time Dollar Amount x  $\frac{\text{(Total State Fiscal Year 1996 Medical Assistance admissions for one of the six Minnesota Medical-Assistance enrolled teaching hospitals)}}{\text{(Total State Fiscal Year 1996 Medical Assistance admissions of the six Minnesota Medical Assistance-enrolled teaching hospitals with the highest number of Medical Assistance admissions in that fiscal year)}}$

The one-time Medical Assistance payment for Federal State Fiscal Year 2003 2004 is \$28,812,814.00 \$22,260,818.00. The one-time Medical Assistance payment for State Fiscal Year 2005 is \$24,700,000. In accordance with Code of Federal Regulations, title 42, section 447.253(b)(2), this payment will not exceed the Medicare upper payment and charge limits as specified in Code of Federal Regulations, title 42, section 447.272.

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ATTACHMENT 4.19-A

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99-05/98-37/97-42/97-19/97-15/97-03/95-20/95-04/94-18/94-08/  
93-39/93-33/92-44/92-31/91-17/90-25)

**15.09 Additional adjustment for Hennepin County Medical Center and Regions Hospital.**

Beginning July 15, 2001, in recognition of the services provided by the two largest safety net hospitals, an additional adjustment, in total for Hennepin County Medical Center and for Regions Hospital, will be made each month that is the difference between the non-State government-owned or operated hospital Medicare upper payment limit as specified in Code of Federal Regulations, title 42, section 447.272 and the non-State government-owned or operated hospital rates of this Attachment, to a maximum of:

(1) \$2,840,000 to Hennepin County Medical Center.

(2) \$1,420,000 to Regions Hospital.

The adjustment in item (2) is always one-half of the adjustment in item (1).

**15.10 Non-seven-county metropolitan area hospital payment adjustment.** For a Minnesota hospital located outside of the seven-county metropolitan area, effective for admissions occurring on or after July 1, 2001 for the DRGs listed below, if 90 percent of the seven-county metropolitan area hospital payment is greater than the hospital's payment, exclusive of Sections 13.01 to 13.05 and 15.04, then payment is made at 90 percent of the seven-county metropolitan area hospital payment, inclusive of the hospital's adjustment under Sections 13.01 to 13.05 and 15.04.

The seven-county metropolitan area hospital payment is adjusted so that payments are in the same proportion as the ratio of the actual payment to the maximum allowable specified in Section 15.09. Therefore, the payment to non-seven-county metropolitan area hospitals changes each year. However, in accordance with Code of Federal Regulations, title 42, section 447.253(b)(2), this payment adjustment will not exceed the Medicare upper payment limit as specified in Code of Federal Regulations, title 42, section 447.272.

|      |   |     |
|------|---|-----|
| (1)  | cesarean section with complicating diagnosis                                    | 370 |
| (2)  | cesarean section without complicating diagnosis                                 | 371 |
| (3)  | vaginal delivery with complicating diagnosis                                    | 372 |
| (4)  | vaginal delivery without complicating diagnosis<br>or operating room procedures | 373 |
| (5)  | extreme immaturity  | 386 |
| (6)  | prematurity without major problems  | 388 |
| (7)  | full term neonates with other problems  | 390 |
| (8)  | normal newborns   | 391 |
| (9)  | neonates, died on birth date  | 385 |
| (10) | acute adjustment reaction and psychosocial<br>dysfunction                       | 425 |
| (11) | psychosis   | 430 |

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 93-39/93-33/92-44/92-31/91-17/90-25)

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|      |                            |         |
|------|----------------------------|---------|
| (12) | childhood mental disorders | 431     |
| (13) | appendectomy               | 164-167 |

**15.11 Admissions with length of stay exceeding 365 days.** Effective January 29, 2002, the following payment is in addition to the rate per admission under Section 10.01 and the rate per day outlier under Section 10.02 for inpatient hospital services provided beyond 365 days:

Payment =

[(Hospital operating cost-to-charge ratio determined in Section 4.01, item D, subitem (4) for all admissions, including General Assistance Medicare Care, a State-funded program) multiplied by (charges for those inpatient hospital services beyond 365 days) multiplied by (disproportionate population adjustment) and multiplied by (the small, rural hospital adjustment) multiplied by (the hospital payment adjustment)]

The payment is not applicable to rate per day payments under Section 10.04.

**Section 15.12 Reduction.** For admissions on or after July 1, 2002, except those paid under Section 15.07, the total payment, before third-party liability and spenddown, is reduced by .5 percent.

**Section 15.13 Reduction.** In addition to the reduction in Section 15.12, for admissions on or after March 1, 2003, except those paid under Section 15.07 and the psychiatric diagnostic categories, the total payment, before third-party liability and spenddown, is reduced by five percent.